

The Deferred Word

Summer Edition 2010

Nevada Public Employees Deferred Compensation Program (NDC)

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Lifecycle Funds

Lifecycle funds are designed to be diversified, "one-stop" options. The funds have two different investment styles: target risk and target date.

- **Target risk funds** typically invest in a mix of stock, bond and stable value funds with an asset allocation consistent with the Participant's risk tolerance, generally indicated as aggressive, moderate or conservative.
- **Target date funds** also invest in a mix of stock, bond and stable value funds. However, the asset allocation of the funds is tied to a Participant's age or retirement date and gradually shifts more toward bonds and stable value, thus becoming more conservative, as the investor nears the retirement date in the fund's name.

Target risk funds allow Participants to choose a portfolio tailored to his/her individual risk tolerance; however, target date funds seemingly remove the risk decision from the Participant, and choices are based on age and time until retirement or withdrawal of assets.

Program Options

The Program currently has both target date and target risk funds available through its service providers, Hartford and ING.

Hartford currently has the SSgA Target Date funds available; however, these will be changing to Vanguard Target Date funds by June 30. The Target Date funds include, Income through 2045.

ING currently has target risk funds available. These include conservative, moderate and aggressive funds.

Lifecycle funds have gained popularity over the last few years. You really can "put all your eggs in one basket" if you choose one of the funds, either the Vanguard Target Date funds or the Nevada Custom Portfolios. These portfolios are well-diversified, so you don't need to further diversify if you have one of these funds.

If you are currently invested in either a target date or target risk funds, or are considering one, here are a few tips:

- Rather than trying to mix and manage a collection of different funds, you only need to select one of these funds to have a well-diversified investment mix for a particular year or risk tolerance.
- Participants typically choose the fund with the year closest to the year they want to start withdrawals or the style which best identifies their risk tolerance.
- While lifecycle funds are intended to simplify investing, you still need to educate yourself about the funds in which you are invested.

Contact NDC or your service provider for additional information on the Plan's Lifecycle funds.

We need your help!

During these challenging economic times, we are requesting your assistance in helping us reduce our printing and postage costs. Although the newsletter is available on the Plan's website, we would like to begin distribution via e-mail to our participants.

If you are willing to stop receiving your newsletter via U.S. Mail, send your e-mail address to:

deferredcomp@defcomp.nv.gov

Thank you to those participants who have already provided us with your e-mail addresses.

The what, why and how of naming beneficiaries

It's not difficult to understand why naming a beneficiary(s) for your assets and property is something that can be overlooked. No one enjoys discussing or pondering death. Estate planning is complex and quite intimidating to most people. Take into account the chaos of normal life activities and it's obvious why so many people put off addressing this important topic. Let's try to break it down into manageable pieces.

What is an estate?

An estate is simply the collection of your property less any liabilities. Estate planning is the process of sorting out your property while alive to ensure an orderly disposition when you pass. This disposition is most commonly done with a will, a document wherein you lay out your wishes. Your estate actually becomes a legal entity at your death.

What is a beneficiary?

A beneficiary is a person or entity who receives money or takes over the ownership of property upon one's death. The most common beneficiary is simply an individual person or persons. A beneficiary can also be an entity such as your estate, a trust, church, charity, etc.

What is probate?

Probate is the court process where your will is validated and where the provisions inside your will are executed. In cases where someone passes without having executed a will, state-specific intestacy laws will determine how your property is distributed. Drafting a will is strongly recommended, since there is no guarantee that generic state laws will dispose of your property in the manner you intend.

Why do I care?

In regard to your retirement accounts, if you fail to elect a beneficiary, your estate will typically be the default beneficiary. This means that your hard-earned retirement dollars become part of your estate at your death and go through the probate process. This process consumes time and money. If you name a person(s) as beneficiary, your retirement account passes directly to your loved one(s) outside of this probate process. This can save your loved ones time, taxes, and money during a very difficult time. You have the ability to separately name beneficiaries on your Program account, insurance policies, bank accounts and real estate among other assets. Once you've named beneficiaries, your loved ones will have access to these monies while the probate process runs its course.

How do I name a beneficiary?

The Plan has both service providers forms available on its website. For information on your current listed beneficiaries, please contact your service provider directly (Hartford: 1.800.255.2464 and ING: 1.800.584.6001).

You may name a primary and contingent beneficiary.

- Primary beneficiary(s) would receive money at your death
- Contingent beneficiary(s) would receive money if your primary beneficiary pre-deceases you, or if you pass at the same time as your primary beneficiary

It is important to note that if you list multiple primary beneficiaries, all of them must pre-decease you before a contingent beneficiary would receive any money.

What about trusts and charities?

A trust is a legal entity that serves to carry out your specific wishes and can remain in existence after your death. Establishing a trust is quite useful when you wish to control how monies are used, spent, and distributed. Naming an individual as your beneficiary ensures that person will receive the money, but naming a trust as beneficiary can ensure how that money is spent or how slowly it is distributed. The Program allows you to name your trust as beneficiary. You may choose to name your favorite charity as your beneficiary as well.

Investment Option Performance Summary as of May 31, 2010 (net of fees)

Fund Name	YTD	1-Year	3-Year	5-Year	Ten-Year
Hartford General Account*	2.00%	4.9%	5.0%	NA	NA
ING Stable Value Fund**	1.18%	NA	NA	NA	NA
SSgA US Bond Mkt. Index***	3.70%	8.48%	-3.39%	-0.92%	3.32%
Vanguard Mkt. Bond Index***	3.73%	8.31%	6.99%	5.41%	6.39%

*Guarantees of principal and interest are based on the claims paying ability of Hartford Life Insurance Company. For more information, contact Hartford.

**Principal protection is provided by contracts with multiple financial institutions. For more information, contact ING.

***Investment return and principal value will fluctuate so that, when sold, an investment may be less than the principal value.

What's age got to do with it?

Many of our plan participants believe they must be a certain age to withdraw funds from NDC to avoid a penalty. There is no age requirement! You may withdraw funds without penalty at any age after you retire or separate from service with your employer. If someone tells you that you must be 59 1/2 years of age to withdraw from NDC, they are incorrect.

If you have rolled other retirement funds (IRA, 403(b), 401(k), etc.) into your NDC account, those funds may have slightly different withdrawal rules. Assets rolled from a qualified plan or individual retirement account may be subject to a 10% penalty if withdrawn prior to age 59 1/2. Contact the NDC office or your service provider if you have any questions. Remember that we cannot give you tax or legal advice. Please make sure to contact your legal or tax advisor.

At age 70 1/2 you are required to begin withdrawals if you have separated from service. However, if you are still working at age 70 1/2, you are NOT required to begin taking withdrawals. All withdrawals are subject to applicable Federal and State taxes.



Inflation: What it means to your retirement investments

In the past year, there has been increasing discussion in the financial media about the potential for higher inflation.

Why inflation may be a concern: Inflation increases the costs of raw materials and wages for most industries. However, some industries can perform well in inflationary times because they can raise prices or own assets that will go up in value with inflation. Over the long-term, stock funds often provide a better hedge against inflation than most fixed income investments (bond funds). Fixed income investments are less effective in combating inflation, because they generally pay a fixed rate of interest and offer little or no opportunity for growth.

While there are potential inflationary factors to consider, according to the Bureau of Labor Statistics, the U.S. unemployment rate is 9.7%*, a national condition that tends to weight against inflationary trends. In fact, current inflation is running around 2.14%**.

How inflation affects your account: The value of money is measured by what it can buy. Inflation erodes the buying power of money and thus requires you to have more money to buy the goods and services you want and need. To have "real" growth, your investment return must exceed the rate of inflation. If you factor in inflation, it may change how you compare investment returns.

What it means for you: Plan participants tend to be investors who are in it for the long-term, which means you'll probably see a variety of economic conditions—conditions that affect specific investment classes differently. To better manage your NDC account, you should review your asset allocation and diversification. These strategies attempt to spread your investment risk around. By spreading your investment risk, you can help reduce the possibility that any single economic condition will severely impact your portfolio over the long-term.

However, it's important to note that the use of diversification and asset allocation as an investment strategy does not assure profit or protect against loss in a declining market. Contact the NDC Office or your service provider for additional information on the investment options available in the Plan.

*Regional and State Employment and Unemployment Summary, Bureau of Labor Statistics, April 2010.

**Inflation Rate in Percent for January 2000—Present, InflationData.com, April 2010.

Retiree Corner

Hartford



ACHIEVE WHAT'S AHEAD.

TRUST.

One of the largest financial services companies worldwide, The Hartford provides insurance and investments to millions of customers. We serve individuals, institutions, and businesses through independent agents and brokers, financial institutions and online.

Of these, more than 1.5 million employees* like you trust us to help them achieve their retirement goals through workplace retirement programs like **State of Nevada.**

- Trusted since 1810
- Among the World's Most Ethical Companies (Ethisphere Institute, 2008, 2009 and 2010)
- EPA Climate Leader

With a 200-year history and one of the most widely recognized and respected names in America, you can count on The Hartford to be here for you today, tomorrow, and every step of the way.

FLEXIBILITY.

Our programs are designed to help meet your needs today and for the long term. Whether you like the "do it yourself" or prefer the "do it for me" approach, our program has investment options to suit your investing style and help you meet your retirement goals.



From very aggressive investment options to the General (Declared Rate) Account,** which pays a minimum guaranteed rate of **4%** (*current rate is **4.75%** through 12/31/2010*), our flexible investment lineup can adapt to your changing circumstances and financial objectives.

We provide a variety of tools and resources to help you make your investment decisions with confidence. At every stage of the retirement planning process, you can benefit from:

- the experience of your local Hartford representative
- award-winning investment education – in person, in print and online

PARTNERSHIP.

Committed to your success, we're here for you when and how you need us.

Planning and investing for retirement may seem difficult — but it doesn't have to be.

Our retirement specialists, along with our award-winning educational tools and service, can help you feel confident about your ability to help achieve your retirement dreams.

Contact your Hartford plan representatives: **Tom Verducci, Jake Honea, Janet Corral or Sharon Brannon at 888-475-7824.**



Let The Hartford help you achieve what's ahead. Enroll today. Or, if you're in the plan, contact your Hartford representative to schedule a personalized review of your account.

*As of 12/31/09

**The General (Declared Rate) Account pays a guaranteed rate of interest based on a contractual agreement between The Hartford and the plan sponsor (actual credited rate may be higher than the guaranteed rate depending on market rate adjustment). The Hartford is obligated to pay this.

Before investing, you should carefully consider the investment objectives, risks, charges and expenses of the mutual funds or The Hartford's group variable annuity products and funding agreements, and their underlying funds. For fund and product prospectuses and/or a disclosure document containing this and other information, contact your financial professional or visit our website. Read them carefully.

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What is your Asset Allocation Strategy?

As a retirement plan participant, you have the opportunity to invest your contributions among the variety of investment options the plan makes available to you. When deciding what is best for your goals, you should remember the importance of asset allocation.

Asset Allocation is the strategy you employ to diversify your portfolio among and within each asset class and fund. Your asset allocation strategy should be in line with your investment goals.

If you haven't recently reviewed the investments in your retirement plan account, it's a good idea to review whether your investment objectives and asset allocation strategy are working together.

For example, if you design your investment portfolio on January 1 and allocated your contributions in 40% in stock investments, 35% in bond investments, and 25% in cash investments, it is likely just one year later you would not have the same allocation with which you originally started. Generally speaking, what this means is that your money may not be invested in the same "buckets" that you

initially intended. How does this happen? Both up and down market trends also known as "market performance", can affect overall percentages in your portfolios and how your money is invested.

While your eggs may not all be in one basket, you may have too many or too few in different baskets than you originally planned. This could mean that your money is not working for you in the same way that you intended. Consequently, it may be that you have missed out on opportunities in one investment type or that you have taken on more risk than you planned.

How do you help avoid this?

Rebalancing your investment mix periodically helps to keep your investment mix in line with your objectives and risk tolerance.

- (1) Simply access your account online through www.ingretirementplans.com/custom/nevada to make the necessary changes yourself or,
- (2) if you haven't rebalanced your Plan portfolio in a while, or if your objectives have changed, now is a good time to talk to your local account representative.

Remember, it's your money – your savings – and your future; you need to protect it. Review your goals and strategy, today.

For more information about available

products and services from the ING Family of Companies, please contact your ING representative toll free at 866-464-6832.



You should consider the investment objectives, risks, and charges and expenses of the investment company carefully before investing. Prospectuses containing this and other important information about the investment company can be obtained by contact your local ING representative. Please read the information carefully before investing.

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NEVADA PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

Investment Option Updates/Changes

The Plan will be removing the **SSgA Target Date funds** from the Hartford options effective June 30. The **Vanguard Target date funds** will be added as the replacement options on June 18. The Vanguard Target Date options will include the Income fund, 2015 fund, 2025 fund, 2035 fund and the 2045 fund. The decision to replace the SSgA Target date funds with Vanguard was due to the following: more conservative lending policy, lower fees and consistent performance.

Please note due to the merger of Wells Fargo and Evergreen, we anticipate a change to the name of a fund within the ING options. If approved by shareholders, all participant account balances (existing assets) and future allocations (contributions) in the **Evergreen Special Values Fund** will be transferred to the **Wells Fargo Advantage Special Small Cap Value Fund**, on July 16, 2010.

Effective May 21st, the **ING Stabilizer Fund** was moved to the **ING Stable Value fund**. As reported in the previous newsletter, this change was made to provide participants with greater diversification and liquidity, while continuing to maintain a competitive interest rate. Please note the new fund, unlike other principal protection options utilized in the past, is dependent on market conditions, does not have a guaranteed crediting rate and will be valued daily. The fund does, however, provide a guarantee of a participant's principal investment.

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